

\_\_\_\_\_ BILL NO. \_\_\_\_\_

INTRODUCED BY \_\_\_\_\_  
(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT THE VALUE OF LAND OF A HOMESTEAD THAT EXCEEDS 150 PERCENT OF THE VALUE OF THE IMPROVEMENT ON THE LAND IS EXEMPT FROM TAXATION; PROVIDING THAT THE CAPPED VALUE OF THE LAND MAY NOT BE LESS THAN 150 PERCENT OF STATE AVERAGE VALUE OF IMPROVEMENTS OR MORE THAN THE PHASED-IN MARKET VALUE OF THE LAND; DEFINING A HOMESTEAD; AND AMENDING SECTION 15-6-201, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Homestead property -- cap on land value.** (1) "Homestead", for the purposes of property taxation, means the owner-occupied dwelling used as the primary dwelling place of the owner. The primary dwelling place is the single place where an individual has a fixed and permanent home and principal establishment and to which whenever the individual is absent the individual has the intention of returning. The homestead may be occupied by any members of the owner's household as their home. A trustee or beneficiary of a trust that owns a dwelling may be considered the owner of the dwelling. The homestead includes appurtenant or adjacent land not exceeding 5 contiguous acres owned or being purchased under contract for deed by the owner or a member of the owner's family.

(2) (a) To be qualified as a homestead, the property must have been the owner's primary dwelling place on January 1 of the year for which the application is made and for at least 7 months during the prior year.

(b) A primary dwelling that qualified as a homestead in the prior year continues to qualify as a homestead if the applicant resides in a health care facility and the applicant does not rent or lease the dwelling to others for more than 21 days a year.

(3) The owner of a homestead and other residential dwellings may elect to have the homestead qualification apply to the homestead or any one of the other residential dwellings. The homestead designation may not apply to a dwelling that the owner rents or leases to others for more than 21 days a year.

(4) The following transactions do not constitute a change in ownership for the purposes of retaining a homestead qualification:

(a) an interspousal transfer, whether done directly or indirectly through business entities or fiduciaries,

1 including transfers involving a deceased spouse or a former spouse due to dissolution of marriage under  
2 supervision of a court; or

3 (b) a transfer into a trust when the beneficiary or the trustee is the transferor or the transferor's spouse  
4 or former spouse.

5 (5) There is no change of ownership if, subsequent to the change or transfer, the same person is the  
6 owner of the homestead property and:

7 (a) the transfer of title is to correct an error; or

8 (b) the transfer is between legal and equitable title, including transactions involving contracts for deed.

9 (6) (a) If the value of an individual parcel of land of a homestead is equal to or less than 150% of the  
10 appraised value of the improvements situated on the land, then the assessed value of the land is the land's  
11 appraised value as phased in under 15-7-111 and the other provisions of this subsection (6) do not apply.

12 (b) Subject to subsection (6)(c), if the value of an individual parcel of land of a homestead is greater  
13 than 150% of the appraised value of the improvements situated on the land, then the value of the land must be  
14 determined as follows:

15 (i) the department shall calculate the average value of improvements in the state;

16 (ii) if the value of the improvements on an individual parcel of land of a homestead is greater than the  
17 state average value of improvements, then the land is valued at 150% of the appraised value of the  
18 improvements situated on the land and the remainder of the land value is exempt from taxation; and

19 (iii) if the value of the improvements on an individual parcel of land of a homestead is less than or equal  
20 to the state average value of improvements, then the land is valued at 150% of the state average value of  
21 improvements and the remainder of the land value is exempt from taxation.

22 (c) The value of land of a homestead upon which improvements are situated may not exceed the  
23 phased-in value of the land.

24 (7) For purposes of subsection (6), the following definitions apply:

25 (a) "Average value of improvements" means the statewide arithmetic mean of the appraised value of  
26 all improvements that have a market value in excess of \$7,500.

27 (b) "Improvements" means residential dwellings and includes housetrailer, mobile homes, and  
28 manufactured homes.

29 (c) "Land" includes contiguous parcels or lots under single ownership up to 5 acres.

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1           **Section 2.** Section 15-6-201, MCA, is amended to read:

2           **"15-6-201. (Temporary) Exempt categories.** (1) The following categories of property are exempt from  
3   taxation:

4           (a) except as provided in 15-24-1203, the property of:

5           (i) the United States, except:

6           (A) if congress passes legislation that allows the state to tax property owned by the federal government  
7   or an agency created by congress; or

8           (B) as provided in 15-24-1103;

9           (ii) the state, counties, cities, towns, and school districts;

10          (iii) irrigation districts organized under the laws of Montana and not operating for profit;

11          (iv) municipal corporations;

12          (v) public libraries; and

13          (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

14          (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church  
15   and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably  
16   necessary for convenient use of the buildings;

17          (c) property used exclusively for agricultural and horticultural societies, for educational purposes, and  
18   for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human  
19   services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department  
20   of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

21          (d) property that is:

22           (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

23           (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care  
24   and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

25           (iii) not maintained and operated for private or corporate profit;

26          (e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or  
27   local governmental entity by institutions of purely public charity if the property is directly used for purely public  
28   charitable purposes;

29          (f) evidence of debt secured by mortgages of record upon real or personal property in the state of  
30   Montana;

1 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or  
2 corporate profit;

3 (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing  
4 machines, and wearing apparel of members of the family, used by the owner for personal and domestic  
5 purposes or for furnishing or equipping the family residence;

6 (i) truck canopy covers or toppers and campers;

7 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

8 (k) motor homes;

9 (l) all watercraft;

10 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or  
11 nonprofit corporation organized to furnish potable water to its members or customers for uses other than the  
12 irrigation of agricultural land;

13 (n) the right of entry that is a property right reserved in land or received by mesne conveyance  
14 (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another  
15 to explore, prospect, or dig for oil, gas, coal, or minerals;

16 (o) (i) property that is owned and used by a corporation or association organized and operated  
17 exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with  
18 physical or mental impairments that constitute or result in substantial impediments to employment and that is  
19 not operated for gain or profit; and

20 (ii) property that is owned and used by an organization owning and operating facilities that are for the  
21 care of the retired, aged, or chronically ill and that are not operated for gain or profit;

22 (p) all farm buildings with a market value of less than \$500 and all agricultural implements and  
23 machinery with a market value of less than \$100;

24 (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training  
25 and practice for or competition in international sports and athletic events and that is not held or used for private  
26 or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization  
27 that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted  
28 under the Montana Nonprofit Corporation Act.

29 (r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily  
30 hand-held and that are used to:

1 (A) construct, repair, and maintain improvements to real property; or

2 (B) repair and maintain machinery, equipment, appliances, or other personal property;

3 (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,  
4 launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and  
5 launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and  
6 that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

7 (s) harness, saddlery, and other tack equipment;

8 (t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in  
9 33-25-105;

10 (u) timber as defined in 15-44-102;

11 (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in  
12 61-1-114, and travel trailers as defined in 61-1-131;

13 (w) all vehicles registered under 61-3-456;

14 (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,  
15 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and

16 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection  
17 (1)(x)(i);

18 (y) motorcycles and quadricycles;

19 (z) the following percentage of the market value of residential property as described in 15-6-134(1)(e)  
20 and (1)(f):

21 (i) 23% for tax year 2000;

22 (ii) 27.5% for tax year 2001; and

23 (iii) 31% for tax year 2002 and succeeding tax years;

24 (aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):

25 (i) 9% for tax year 2000;

26 (ii) 11% for tax year 2001; and

27 (iii) 13% for tax year 2002 and succeeding tax years;

28 (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used  
29 by an industrial dairy;

30 (cc) items of personal property intended for rent or lease in the ordinary course of business if each item

1 of personal property satisfies all of the following:

2 (i) the acquired cost of the personal property is less than \$15,000;

3 (ii) the personal property is owned by a business whose primary business income is from rental or lease  
4 of personal property to individuals and no one customer of the business accounts for more than 10% of the total  
5 rentals or leases during a calendar year; and

6 (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;

7 (dd) all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from  
8 grain during the course of the construction of an ethanol manufacturing facility and for 10 years after completion  
9 of construction of the manufacturing facility; ~~and~~

10 (ee) light vehicles as defined in 61-1-139; and

11 (ff) the portion of land of a homestead that is exempt from taxation under [section 1].

12 (2) (a) For the purposes of subsection (1)(e):

13 (i) the term "institutions of purely public charity" includes any organization that meets the following  
14 requirements:

15 (A) The organization offers its charitable goods or services to persons without regard to race, religion,  
16 creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal  
17 Revenue Code, as amended.

18 (B) The organization accomplishes its activities through absolute gratuity or grants. However, the  
19 organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public  
20 performances or entertainment or by other similar types of fundraising activities.

21 (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used  
22 by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal  
23 Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually  
24 with the department a copy of its federal tax return reporting any unrelated business taxable income received  
25 by the charity during the tax year, together with a statement indicating whether the exempt property was used  
26 to generate any unrelated business taxable income.

27 (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and  
28 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold  
29 property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes  
30 all real and personal property reasonably necessary for use in connection with the public display or observatory

1 use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual  
2 or for-profit organization, real and personal property owned by other persons is exempt if it is:

- 3 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;
- 4 (ii) held for future display; or
- 5 (iii) used to house or store a public display.

6 (3) For the purposes of subsection (1)(bb):

7 (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes  
8 the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products  
9 solely for export from the state, either directly by the dairy or after the milk or milk product has been further  
10 processed by an industrial milk processor. After export, any unprocessed milk must be further processed into  
11 other dairy products.

12 (b) "industrial milk processor" means a facility and integral machinery used solely to process milk into  
13 milk products for export from the state.

14 (4) The following portions of the appraised value of a capital investment in a recognized nonfossil form  
15 of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt  
16 from taxation for a period of 10 years following installation of the property:

17 (a) \$20,000 in the case of a single-family residential dwelling;

18 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

19 **15-6-201. (Effective on occurrence of contingency) Exempt categories.** (1) The following categories  
20 of property are exempt from taxation:

21 (a) except as provided in 15-24-1203, the property of:

22 (i) the United States, except:

23 (A) if congress passes legislation that allows the state to tax property owned by the federal government  
24 or an agency created by congress; or

25 (B) as provided in 15-24-1103;

26 (ii) the state, counties, cities, towns, and school districts;

27 (iii) irrigation districts organized under the laws of Montana and not operating for profit;

28 (iv) municipal corporations;

29 (v) public libraries; and

30 (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

1 (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church  
2 and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably  
3 necessary for convenient use of the buildings;

4 (c) property used exclusively for agricultural and horticultural societies, for educational purposes, and  
5 for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human  
6 services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department  
7 of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

8 (d) property that is:

9 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

10 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care  
11 and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

12 (iii) not maintained and operated for private or corporate profit;

13 (e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or  
14 local governmental entity by institutions of purely public charity if the property is directly used for purely public  
15 charitable purposes;

16 (f) evidence of debt secured by mortgages of record upon real or personal property in the state of  
17 Montana;

18 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or  
19 corporate profit;

20 (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing  
21 machines, and wearing apparel of members of the family, used by the owner for personal and domestic  
22 purposes or for furnishing or equipping the family residence;

23 (i) truck canopy covers or toppers and campers;

24 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

25 (k) motor homes;

26 (l) all watercraft;

27 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or  
28 nonprofit corporation organized to furnish potable water to its members or customers for uses other than the  
29 irrigation of agricultural land;

30 (n) the right of entry that is a property right reserved in land or received by mesne conveyance



(exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not operated for gain or profit; and

(ii) property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

(p) all farm buildings with a market value of less than \$500 and all agricultural implements and machinery with a market value of less than \$100;

(q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and that is not held or used for private or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:

(A) construct, repair, and maintain improvements to real property; or

(B) repair and maintain machinery, equipment, appliances, or other personal property;

(ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

(s) harness, saddlery, and other tack equipment;

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105;

(u) timber as defined in 15-44-102;

(v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in 61-1-114, and travel trailers as defined in 61-1-131;

(w) all vehicles registered under 61-3-456;

- 1 (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,  
2 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and  
3 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection  
4 (1)(x)(i);  
5 (y) motorcycles and quadricycles;  
6 (z) the following percentage of the market value of residential property as described in 15-6-134(1)(e)  
7 and (1)(f):  
8 (i) 23% for tax year 2000;  
9 (ii) 27.5% for tax year 2001; and  
10 (iii) 31% for tax year 2002 and succeeding tax years;  
11 (aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):  
12 (i) 9% for tax year 2000;  
13 (ii) 11% for tax year 2001; and  
14 (iii) 13% for tax year 2002 and succeeding tax years;  
15 (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used  
16 by an industrial dairy;  
17 (cc) items of personal property intended for rent or lease in the ordinary course of business if each item  
18 of personal property satisfies all of the following:  
19 (i) the acquired cost of the personal property is less than \$15,000;  
20 (ii) the personal property is owned by a business whose primary business income is from rental or lease  
21 of personal property to individuals and no one customer of the business accounts for more than 10% of the total  
22 rentals or leases during a calendar year; and  
23 (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;  
24 (dd) all agricultural implements and equipment;  
25 (ee) all mining machinery, fixtures, equipment, tools, and supplies except those included in class five;  
26 (ff) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class  
27 five;  
28 (gg) all goods and equipment that are intended for rent or lease, except goods and equipment that are  
29 specifically included and taxed in another class;  
30 (hh) special mobile equipment as defined in 61-1-104;

(ii) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(jj) x-ray and medical and dental equipment;

(kk) citizens' band radios and mobile telephones;

(ll) radio and television broadcasting and transmitting equipment;

(mm) cable television systems;

(nn) coal and ore haulers;

(oo) theater projectors and sound equipment; ~~and~~

(pp) light vehicles as defined in 61-1-139; and

(qq) the portion of land of a homestead that is exempt from taxation under [section 1].

(2) (a) For the purposes of subsection (1)(e):

(i) the term "institutions of purely public charity" includes any organization that meets the following requirements:

(A) The organization offers its charitable goods or services to persons without regard to race, religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(B) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually with the department a copy of its federal tax return reporting any unrelated business taxable income received by the charity during the tax year, together with a statement indicating whether the exempt property was used to generate any unrelated business taxable income.

(b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real and personal property reasonably necessary for use in connection with the public display or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual

or for-profit organization, real and personal property owned by other persons is exempt if it is:

(i) actually used by the governmental entity or nonprofit organization as a part of its public display;

(ii) held for future display; or

(iii) used to house or store a public display.

(3) For the purposes of subsection (1)(bb):

(a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products solely for export from the state, either directly by the dairy or after the milk or milk product has been further processed by an industrial milk processor. After export, any unprocessed milk must be further processed into other dairy products.

(b) "industrial milk processor" means a facility and integral machinery used solely to process milk into milk products for export from the state.

(4) The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) \$20,000 in the case of a single-family residential dwelling;

(b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

**NEW SECTION. Section 3. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 1].

- END -